

**Achievement of Market-Friendly Initiatives and Results Program  
(AMIR 2.0 Program)**

**Funded By U.S. Agency for International Development**

**SECURITIES DEPOSITORY CENTER OF JORDAN**

**PARTICIPANT CONTRACTUAL CHAIN**

**CONTRACT MODELS**

Final Report

**Deliverable for Financial Markets Development Component, Task No. 628.3  
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## Executive Summary

### ***Background***

In recent years investment in emerging markets has, on an overall basis, increased. Economic growth and overpricing in mature markets has constituted some of the reasons for investing in emerging markets, including superior relative expected returns and an expanding opportunity set for investment. In 2002 emerging markets collectively outperformed their developed market counterparts, globally. Over time, many emerging markets have undertaken wide-ranging institutional reforms, which have increased their appeal to foreign investors. These have included: stock exchange modernization; establishment of central clearing and settlement corporations and central depositories; establishment and empowerment of securities regulatory agencies; decreases in commission rates and other transaction charges; stricter accounting, auditing and information disclosure requirement; and establishment of insider trading rules.

Political openness in many countries has created governments that are more receptive to free market policies and increased foreign investment. Many governments have come to realize that for their capital markets to develop, they must create an environment attractive to both domestic and foreign investors with safeguards in place to guarantee property rights and proficient settlement arrangements.

In order to establish an investment environment that is capable of attracting, retaining and protecting investor capital, international standards<sup>1</sup> and best practices recommends the creation of an institutional setting and a financial infrastructure necessary for a sound credit culture and effective market functioning. To this end, it is necessary to create a legal environment where the terms and conditions of contracts are observed and where legal recourse, including the taking possession of collateral, is possible without undue delay.

## **The Securities Depository Center of Jordan (SDC)**

### ***Background***

The Securities Depository Center (SDC) of Jordan was established, under law<sup>2</sup>, as the only entity in the Kingdom to legally perform "...registration and transfer of ownership of securities traded on the Bourse and for price settlement of such among financial brokers." The SDC commenced operations in May of 1999 as a private, non-profit institution under the regulatory control of the Jordan Securities Commission (JSC).

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<sup>1</sup>*Report of the Working Party on Financial Stability in Emerging Market Economies, Executive Summary, Key Elements of Robust Financial Systems, Page 3, Bank for International Settlements, Basel, Switzerland, April 1997*

<sup>2</sup>*The Securities Law, Law No. (23) for the year 1997, Chapter 4, Article (29)*

The SDC is a separate judicial entity with administrative and financial independence that may carry out all legal acts, including concluding legal contracts, acquiring and disposing of movable and immovable property and appointing a lawyer to act on its behalf in legal proceedings.

The SDC is a fundamental support institution of the Jordanian capital market. It is responsible, in cooperation with the Amman Stock Exchange, for implementing a qualitative leap in market efficiency. The SDC seeks to attract local and foreign investment, create a secure environment for capital investment, reduce investment costs, minimize systemic risk and raise the efficiency of the settlement system in the Kingdom. As of January 2003 the SDC was providing safekeeping and settlement services for domestic investors and for international investors from 30 countries in the Middle East, the Americas, Europe and Scandinavia.

In order for the SDC to: (i) comply with international standards and attract additional international participants to the Jordan capital market; (ii) offer the highest possible levels of protection to investors and; (iii) support the transparent, efficient and cost-effective DVP settlement of securities transactions, it is necessary for the SDC to implement a contractual chain binding all of its participants. The contractual chain will clearly establish the rights and responsibilities of all direct and indirect SDC participants under relevant Jordanian laws and regulations in a manner that is reasonable compliant with generally accepted international standards.

The execution of legally binding contracts between the SDC and its participants will establish a strong rule of contractual law under which the accuracy, reliability and maintenance of Shareholder Registers as well as the orderly settlement of securities transactions may occur.

In the past two years the Securities Depository Center of Jordan (SDC) has made significant progress in establishing a firm foundation for the implementation of irrevocable Delivery versus Payment (DVP) Settlement of securities transactions. The implementation of irrevocable DVP Settlement in Jordan constitutes an important milestone in the transition of the Jordanian Financial Markets from a domestic and regional marketplace to a marketplace with the demonstrable capacity to attract, service and retain international capital.

In order to assist the SDC in establishing itself as a globally recognized Central Securities Depository, it is necessary to structure and support the SDC's business operations in a manner that is capable of sustaining current service levels and expanding operations to support additional international capital market clients. The implementation of a contractual chain among the SDC's participants is a major step in the internationalization of the SDC's business operations.

**SECTION I**

**PARTICIPANT CONTRACTUAL CHAIN**

**CONTRACTS  
&  
CONTRACT RATIONALE**

## Participant Contracts

### *Background*

In many emerging markets the use of written contracts to solidify business relationships is limited. The lack of written contracts in these markets is related to a strong oral business tradition, the small size of emerging markets, the relative simplicity of market transactions and the comparatively small number of primarily domestic participants in the marketplace. The small, domestic and insular nature of such emerging markets where a “man’s word is his bond” does not provide the motivation for the use of written contracts.

However, a desire to attract international investors to a marketplace where the reliability and dependability of the domestic participants are unknown to international investors requires the use of written contracts to meet the business and legal needs of international investors. Additionally, emerging markets need to establish a significant level of business transparency and openness in order to provide a transaction environment that provides international investors with the highest level of familiarity and comfort.

In order to attract and retain domestic and international investor capital, it is mandatory that emerging markets provide market participants with sufficient information to identify and evaluate accurately the risks and costs associated with market participation.

Generally accepted international standards and best practices recommend a strong rule of law to support capital market activities. The International Organization of Securities Commissions (IOSCO) and the Committee on Payment and Settlement Systems (CPSS) of the Central Banks of the Group of Ten Countries recommend that:

*“The reliable and predictable operation of a Security Settlement System depends on (1) the laws, rules and procedures that support the holding, transfer, pledging and lending of securities and related payments; and (2) how these laws, rules and procedures work in practice, that is, whether system operators, participants and their customers can enforce their rights. If the legal framework is inadequate or its application uncertain, it can give rise to credit or liquidity risks for system participants and their customers or to systemic risks for financial markets as a whole.”<sup>1</sup>*

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<sup>1</sup>*Recommendations for Securities Settlement Systems*, International Organization of Securities Commissions and the Committee on Payment and Settlement Systems of the Central Banks of the Group of Ten Countries, Bank for International Settlements, Basel, Switzerland, November 2001

### ***Contract Rationale***

The legal framework for a Central Securities Depository (CSD) and the holding of securities in a CSD varies from jurisdiction to jurisdiction and reflects the organization of a jurisdiction's entire legal system. The legal framework for a CSD, such as the SDC includes general laws, such as property and insolvency laws, and includes laws specifically related to the operation of the CSD. In some jurisdictions, the general laws governing property rights and insolvency may not apply to, or may contain special provisions related to, the settlement of securities transactions. Laws applicable to securities settlements may also be augmented by regulations or other administrative acts.

Important aspects of the legal framework for the SDC as a CSD are the rules and procedures of the various parts of the system, which are required to be incorporated into contracts between the SDC and its participants in order to provide the SDC and its participants with the requisite protections under law. The SDC Participant Contract establishes the legal framework under which the relationships, rights and interests of the SDC, the SDC's participants and their customers and the manner in which and time at which rights and obligations arise through the operation of the system are defined.

The effective operation of the SDC requires that its By Laws, Business Rules and Operational Procedures are enforceable with a high degree of certainty. The rules and contracts related to the operation of the SDC must be enforceable in the event of the insolvency of a SDC participant, whether the participant is located in the jurisdiction whose laws govern the SDC or in another jurisdiction. The effective operation of the SDC also requires that the SDC have a high degree of certainty regarding its rights and interests in the securities and other assets held in its settlement system, including its rights to use collateral, to transfer property interests, and to make and to receive payments, notwithstanding the bankruptcy or insolvency of an individual SDC participant or of one of its customers in another jurisdiction. The claims of the SDC or SDC participants against collateral posted by a participant with the SDC should in all events have priority over the claims of such participant's non-system creditors. Non-settlement system creditors should be able to enforce their claims against collateral posted in the system only after the satisfaction of all claims arising within the system.

Direct SDC participants, intervening intermediaries, and their respective customers should have a high degree of certainty regarding the rights and interests they hold in the SDC, notwithstanding the insolvency of a user.

It is critical that the legal framework supporting SDC operations, including requirements relating to contractual choices of law, should support and enforce the public interest in the effective operation of the SDC and to clearly establish the legal certainty of the irreversibility of securities settlements.



Diversity in the business structure, transaction requirements and business service needs of SDC members requires specific contracts to insure full protection under law for the SDC and for the SDC's participants.

## **SECTION II**

### **CONTRACT MODELS**

**AGREEMENT BETWEEN A DEPOSITORY PARTICIPANT  
AND  
THE SECURITIES DEPOSITORY CENTER OF JORDAN**

This Agreement made and entered into this .....day of ....., ..... between ..... situated at .....  
.....,  
(hereinafter called "Participant") and The Securities Depository Center of Jordan having its Registered Office at P.O. Box 212465, Amman 11121, Jordan (hereinafter called "SDC").

**WHEREAS** the Participant has furnished to SDC an application for being admitted as a Depository Participant.

**THEREFORE** in consideration of the SDC having agreed to admit the Depository Participant into its Depository system, both the parties to this Agreement hereby covenant and agree as follows:

**Article 1**

The Participant shall abide by the provisions of the Securities Law of 2002, Jordan Securities Commission Regulations, Bye-Laws, Business Rules and Operational Procedures of the SDC wherever applicable and comply with any orders, directions or notices which may be issued or prescribed by the Board of Directors of the SDC from time to time in respect to the services and facilities of the SDC's Depository System whether of a temporary or permanent nature.

**Article 2**

The Participant shall continue to be bound by the Bye-Laws, Business Rules and Operational Procedures of the SDC, notwithstanding that it may have ceased to be a Participant, in all matters and transactions occurring while it was a Participant.

**Article 3**

The Bye-Laws, Business Rules and Operational Procedures of the SDC shall be a part of the terms and conditions of every agreement, contract or transaction which the Participant may make or have with the SDC

**Article 4**

The Participant shall be bound by any amendment to the Bye-Laws, Business Rules and Operational Procedures of the SDC with respect to any transaction occurring subsequent to the time of such amendment. Such amendment shall take effect as if it were originally a part of the Bye-Laws, Business Rules and Operational Procedures of the SDC provided, however, that no such amendment shall affect the Participant's rights to cease to be a Participant.

**Article 5**

This Agreement and all contracts and transactions effected by the Participant under the SDC's Bye- Laws, Business Rules and Operational Procedures or through the facilities of the SDC shall be governed by and be construed in accordance with the provisions of the relevant laws as well as the rules and regulations of the Jordan Securities Commission.

**Article 6**

On provision of prior notification, the SDC reserves the right to make amendments to this Agreement in the event such amendments become necessary due to changes, additions or deletions to the Securities Law of 2002, regulations of the Jordan Securities Commission or other relevant changes enacted by executive and legislative bodies responsible for the normative and legal acts regulating the activities of the SDC.

**Article 7**

The Participant will furnish a list of authorized officials who shall represent & interact with the SDC on behalf of the Participant within **X** business days of the execution of this agreement and any changes including additions/deletions to the initial list shall be communicated to the SDC within **X** business days of such change(s).

**Article 8**

The SDC will perform all depository transactions related to securities held and ownership recorded in the Participant's accounts of any type in strict conformity with the instructions issued by the Amman Stock Exchange, the Participant, the Participant's Client or the Participant's Client's authorized representatives, Transactions shall not lead to violation of any of the provisions included in the Securities Law of 2002, Jordan Securities Commission Regulations, the SDC's By-Laws, Business Rules and Operational Procedures and normative legal requirements.

**Article 9**

This Agreement and all contracts and transactions effected by the Participant with any other party, or to which the Participant is a party under the Bye-Laws, Business Rules and Operational Procedures of the SDC or through the facilities of the SDC shall be governed by and be construed in accordance with the provisions of the relevant laws, rules and regulations of the regulatory bodies having jurisdiction over the Participant, as applicable from time to time.

**Article 10**

The SDC reserves the right to suspend execution of the Participant's settlement transactions in the event that such transactions constitute a material breach of the By-Laws, Business Rules and Operational Procedures of the SDC and/or do not conform to the By-Laws, Business Rules and Operational Procedures of the SDC

**Article 11**

The SDC shall guarantee confidentiality of information that may become known in the course of its depository activity on account transactions and the status of the Participant's accounts of all types, including information related to the Participant's Client account(s) maintained by the Client with an entity other than the Participant.

**Article 12**

The Participant may not lodge a claim relating to SDC obligations on the securities owned by the Participant's Clients or other SDC Participants in accordance with the right of ownership or other proprietary right.

**Article 13**

The Participant shall pay such fees and charges that may be due to the SDC in accordance with the schedule specified under the SDC's By-Laws, Business Rules and Operational Procedures and any deposits or other amounts payable in accordance with the SDC's Bye Laws, Business Rules and Operational Procedures:

- a) In case of any default on the part of the Participant to pay any of the amounts specified above within a period of 30 days from the date of demand, without prejudice to the rights of the SDC to take disciplinary action under Chapter **X** of the SDC's Bye-Laws, the Participant will be liable to penalty payments at such rate as may be specified in this Agreement.
- b) The Board of Directors of the SDC may permit the payment of such amount even without penalty after such due date, provided it is satisfied that there exist sufficient grounds for such delayed payment.

**Article 14**

In case of the Participant's non-compliance of payment(s) to the SDC either by virtue of date and/or sum of payment, the Participant shall pay SDC a fine in amount of X% of the sum subject to payment for each calendar day of delay but not more than X% of the sum subject for payment.

**Article 15**

In the event additional and/or extraordinary expenses are to be incurred by the SDC in the execution of the Participant's transaction(s) and if the sum of such expenses exceed JD XXX, the SDC shall have the right to require prepayment of the said sum from the Participant.

**Article 16**

The Participant shall not commingle his own holdings held in the SDC with those held on behalf of the Participant's Clients. The Participant shall affect any transfer of holdings only if the transfer is supported by valid instructions and an adequate audit trail of the transfer is maintained unless otherwise provided for in the SDC's Bye-Laws, Business Rules and Operational Procedures. The Participant shall be responsible for every action taken on the basis of any order, instruction, direction or mandate given by the Participant's Clients.

**Article 17**

The Participant will maintain a Demand Deposit Account (DDA) for the exclusive purpose of conducting SDC business at a banking institution located within the Kingdom that is acceptable to the SDC and whose business operations are subject to regulation by the Central Bank of Jordan. The Participant will provide the SDC with routing instructions necessary and material to the operational processing of debit and credit transactions to the Participant's DDA. In the event the Participant changes the Participant's DDA used for the exclusive purpose of conducting SDC business either within a banking institution or by transfer from one banking institution to another banking institution, the Participant will provide the SDC with advance notice of such a change. The Participant will provide the SDC with such advance notice no later than **X** business days prior to the effective activation date of the new DDA account.

**Article 18**

The SDC will provide the Participant with routing instructions necessary and material to the operational processing of debit and credit transactions between the Participant's DDA and the SDC's Settlement Bank Account (SBA). In the event the SDC changes the SDC's SBA account either within a banking institution or by transfer from one banking institution to another banking institution, the SDC will provide the Participant with advance notice of such a change. The SDC will provide the Participant with such advance notice no later than **X** business days prior to the effective activation date of the SDC's new SBA account.

**Article 19**

The Participant shall comply with the time schedule specified from time to time by the SDC for data transfer.

**Article 20**

The Participant shall comply with such procedures, in case of the deposit and withdrawal of securities to and from any of its accounts maintained with the SDC, as laid down under the SDC's Bye-Laws, Business Rules and Operational Procedures.

**Article 21**

The Participant shall comply with requests received from the Participant's Clients for the deposit of dematerialized securities and the withdrawal of securities in physical form within such time and in such manner as may be specified in the SDC's Bye-Laws, Business Rules and Operational Procedures, and shall be required to keep records of such transactions as prescribed by the Jordan Securities Commission Regulations.

**Article 22**

The Participant shall maintain business records in such manner as may be prescribed in the Jordan Securities Commission Regulations and the SDC's Bye-Laws, Business Rules and Operational Procedures in respect the Participant's use of any of the services and facilities of the SDC.

**Article 23**

The Participant shall permit any person duly authorized by the SDC to enter its premises, within the Participant's regular business hours on any business day, for the purpose of inspecting Participant records and taking copies of such records. The Participant shall provide, on demand, any information to the SDC related to the Participant's contracts and transactions in the SDC's depository system.

**Article 24**

The Participant will inform the SDC of any proposed changes in the address of the Participant's Registered Offices, Corporate Office, or of the location where the equipment for communication with SDC is situated no less than **X** business days before the effective date of such change(s).

**Article 25**

The SDC will inform the Participant of any proposed changes in the address of its Registered Office or Corporate Office no less than **X** business days before the effective date of such change.

**Article 26**

The Participant shall reconcile its own internal records with those of the SDC on a daily basis and in such manner as may be specified in the Jordan Securities Commission Regulations and the SDC's By-Laws, Business Rules and Operational Procedures.

**Article 27**

The Participant shall install at its business offices or in its computer center, client server(s), hardware configuration(s) with system database(s), communication and application software as prescribed by the SDC:

- a) In the interests of operational consistency all hardware and software supporting the Participant's SDC applications that have not been supplied directly to the Participant by the SDC, shall be installed and implemented by the Participant only after review and approval of the hardware and software by the SDC.
- b) Hardware and software procured under item (a), above, shall be dedicated for SDC specific application modules and in the event there is additional processing/data storage capacity available, the additional processing/data storage capacity shall not be used for any other application.
- c) Participant's SDC-related hardware and software, as per items (a) and (b) above, may be connected by the Participant to the Participant's internal Local Area Network (LAN) for data transfer purposes.
- d) Participant's SDC-related hardware and software shall not be connected by the Participant to the Participant's interoffice Wide Area Network (WAN) without the prior written permission of the SDC. The SDC reserves the right to deny such permission if in the opinion of the SDC the granting of such

permission would violate conditions relating to the operations of SDC's WAN or any other reasons as may be deemed fit by the SDC.

- e) The Participant shall carry out modifications, upgrades, replacements and deletions for the above mentioned configuration(s) from time to time as may be required by the SDC.

#### **Article 28**

The Participant shall maintain such insurance mechanisms and coverage, as the SDC may require of its participants from time to time.

#### **Article 29**

The Participant shall contribute to the Settlement Guarantee Fund and any other fund(s) established to protect the interests of participants in the capital markets in a manner specified in the Jordan Securities Commission Regulations and the SDC's Bye-Laws, Business Rules and Operational Procedures.

#### **Article 30**

The Participant shall comply with such accounting, audit, financial requirements including requirements for submission of periodic returns on its activities in relation to the SDC and in such form and manner and within such time periods as may be specified in the Bye-Laws, Business Rules and Operational Procedures of the SDC.

#### **Article 31**

The Participant shall maintain systems and audit control measures including independent internal controls and an audit department for regularly reviewing its internal operations, as contained in the Bye-Laws, Business Rules and Operational Procedures of the SDC.

#### **Article 32**

The Participant shall pay the SDC such amounts as may be specified by the SDC's Board of Directors in regard to compensation for any loss incurred by a Participant's Client due to any act of omission, commission, negligence, misfeasance, fraud, willful misconduct, errors or default on its part as a Participant in the SDC or any of its employees in relation to the operations of its business with the SDC.

#### **Article 33**

The Participant shall indemnify the SDC, in respect of securities credited in its own account towards:

- (a) losses, liabilities and expenses arising from claims of third parties and from taxes and other governmental charges; and,
- (b) any other related expenses in respect of such securities as determined by the Board of Directors of the SDC.

#### **Article 34**

The Participant shall provide such information relating to account holders as may be required by SDC from time to time.



**Article 35**

The SDC is authorized to provide at any time to the Participant the details of any credit or debit to the Participant's own SDC account(s) as well as the SDC account(s) of the Participant's Clients. The SDC is also authorized to provide similar information to any appropriate, authorized governmental authority in this regard.

**Article 36**

The Participant shall notify the SDC within **X** business days of any change in the details provided in the application form originally submitted to the SDC at the time of admission or furnished to the SDC from time to time.

**Article 37**

The Participant shall notify the SDC immediately:

- a) where the Participant's SDC account is a Participant's Client account and the Participant's Client wishes to cease doing business with the Participant, does not wish to have the Participant represent the Client and/or does not wish the Participant to have access to the Participant Client account;
- b) where the Participant's SDC account is a Client account and the client is a partnership firm, in the event of the dissolution of the partnership;
- c) where the Participant's SDC account is a Client account and the Client is a corporate entity, when the corporate entity ceases to do business and is being wound up;
- d) where the Participant's SDC account of any type has declared bankruptcy and/or has presented a petition for bankruptcy, liquidation or attachment of its property;
- e) where the Participant's SDC account of any type has had a bankruptcy order levied against it or in the event of any distress, execution or other process being levied or served upon or against the account holder's property;
- f) where the Participant has been notified that a Participant's SDC account of any type has a change in its financial conditions which may lead to the account holder's bankruptcy;
- g) where notification pertaining to the Participant's SDC account of any type has been provided to the Participant as to the convening of any meeting to consider a resolution for the appointment or purported appointment of a receiver or administrator in respect of any of its property, or any other change in circumstances material to its participation in the depository system.

**Article 38**

The Participant shall resolve any investor grievance which has been received against the Participant or SDC and submit a report of the grievances resolved to Jordan Securities Commission and the SDC in accordance with the requirements stipulated in the Securities Law of 2002.

**Article 39**

The Participant and the SDC shall abide by the arbitration and conciliation procedures prescribed under the Bye-Laws, Business Rules and Operational Procedures of the SDC and that such procedures shall be applicable to any disputes between the Participant and SDC.

**Article 40**

The Participant and SDC agree that all claims, differences and disputes, arising out of or in relation to dealings in and through the SDC including any agreements, contracts and transactions made subject to the Bye-Laws, Business Rules and Operational Procedures of the SDC or with reference to anything incidental thereto or in pursuance of or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions, agreements and contracts have been entered into or not, shall be subject to the exclusive jurisdiction of the courts of the Hashemite Kingdom of Jordan.

**Article 41**

The SDC and the Participant shall be absolved from responsibility for non-performance or undue performance of any obligations under this Agreement in case of *force majeure* circumstances occurring after execution of this present Agreement. Providing evidence of the existence of *force majeure* events shall be the duty of the SDC.

**Article 42**

On the termination of *force majeure* the Participant and the SDC shall be obliged to undertake all reasonable measures to mitigate the negative effects of *force majeure* and to reduce the damages incurred.

**Article 43**

This Agreement shall enter into force following its signature by authorized representatives of the Participant and the SDC. This Agreement shall be deemed as automatically and successively extended for additional periods of one calendar year from the date of the Agreement entering into force if neither of the Parties submits to the other Party a written statement of intent to cancel the Agreement not later than one month prior to the Agreement's expiry date.

**Article 44**

Changes and additions to this Agreement may be made by mutual consent of the Participant and the SDC as expressly agreed between the Participant and the SDC in writing and signed by authorized representatives of the Participant and the SDC.

**IN WITNESS** wherefore the Participant and the Securities Depository Center of Jordan have caused their presence to be executed as of the date specified in the first paragraph of this Agreement.

Witnessed

By \_\_\_\_\_

\_\_\_\_\_  
(Signed For & on Behalf of the Participant)

(Print Name & Capacity)

Witnessed

By \_\_\_\_\_

\_\_\_\_\_  
(Signed For & On Behalf of the Securities  
Depository Center of Jordan)

(Print Name & Capacity)

Date: \_\_\_\_\_

Place: \_\_\_\_\_

**AGREEMENT BETWEEN THE ISSUER  
AND  
THE SECURITIES DEPOSITORY CENTER OF JORDAN**

This Agreement made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_ between \_\_\_\_\_ having its Registered Office at \_\_\_\_\_ (hereinafter called the "Issuer") and the Securities Depository Center of Jordan having its Registered Office at P.O. Box 212465, Amman, Jordan (hereinafter called the "SDC").

**WHEREAS** The Issuer, acting as a the Securities Issuer, Registrar and Transfer Agent has furnished to the SDC an application for the Issuer's security issue and the security issue, above, being admitted as an eligible security in the SDC's depository system;

**THEREFORE** in consideration of the SDC having agreed to admit the security issue of the Issuer as being eligible for the SDC depository system, the Issuer and the SDC agree as follows:

**Article 1**

The Issuer shall abide by the provisions of the Securities Law of 2002, the Jordan Securities Commission Regulations, the Bye-Laws, Business Rules and Operational Procedures of the SDC wherever applicable and comply with any orders, directions or notices which may be issued or prescribed by the Board of Directors of the SDC from time to time in respect to the services and facilities provided the SDC, whether of a temporary or permanent nature.

**Article 2**

The Issuer shall continue to be bound by the Bye-Laws, Business Rules and Operational Procedures of the SDC, notwithstanding that it may have ceased to be an active Issuer, in all matters and transactions occurring while it was a Participant.

**Article 3**

The SDC's Bye-Laws, Business Rules and Operational Procedures shall be part of the terms and conditions of every agreement, contract or transaction between the parties to this agreement.

**Article 4**

The Issuer shall be bound by any amendments to the SDC's Bye-Laws, Business Rules and Operational Procedures with respect to any transaction occurring subsequent to the time of such amendments. Such amendments shall take effect as if they were originally a part of the SDC's Bye-Laws, Business Rules and Operational Procedures.

**Article 5**

This Agreement and all contracts and transactions effected by the Issuer under the SDC's Bye- Laws, Business Rules and Operational Procedures or through the facilities of the SDC shall be governed by and be construed in accordance with the provisions of the relevant laws as well as the rules and regulations of the Jordan Securities Commission.

**Article 6**

On provision of prior notification, the SDC reserves the right to make amendments to this Agreement in the event such amendments become necessary due to changes, additions or deletions to the Securities Law of 2002, regulations of the Jordan Securities Commission or other relevant changes enacted by executive and legislative bodies responsible for the normative and legal acts regulating the activities of the SDC.

**Article 7**

The Issuer shall furnish a list of authorized officials who shall represent & interact with the SDC on behalf of the Issuer within **X** business days of the execution of this agreement and any changes including additions/deletions to the initial list shall be communicated to the SDC within **X** business days of such change(s).

**Article 8**

The Issuer shall send to the SDC's Chief Executive Officer copies of the letters approving exchange listing and commencement of trading issued by the Amman Stock Exchange in respect of securities to be held in dematerialized form with the SDC.

**Article 9**

This Agreement and all contracts and transactions effected by the Issuer with any other party, or to which the Issuer is a party under the Bye-Laws, Business Rules and Operational Procedures of the SDC or through the facilities of the SDC shall be governed by and be construed in accordance with the provisions of the relevant laws, rules and regulations of the regulatory bodies having jurisdiction over the Issuer, as applicable from time to time.

**Article 10**

The SDC shall guarantee confidentiality of information that may become known in the course of its processing of the Issuer's transactions and the status of the Issuer's records of all types, including information related to the maintenance of the Issuer's Shareholder Register(s).

**Article 11**

The Issuer shall pay such fees and charges that may be due to the SDC in accordance with the schedule specified under the SDC's By-Laws, Business Rules and Operational Procedures and any deposits or other amounts payable in accordance with the SDC's By-Laws, Business Rules and Operational Procedures:

- a) In case of any default on the part of the Issuer to pay any of the amounts specified above within a period of 30 days from the date of demand, without prejudice to the rights of the Depository to take disciplinary action under Chapter X of the SDC's Bye-Laws, the Participant will be liable to penalty payments at such rate as specified in this Agreement.
- b) The Board of Directors of the SDC may permit the payment of such amount even without penalty after such due date, provided it is satisfied that there exists sufficient grounds for such delayed payment.

**Article 12**

In case of the Issuer's non-compliance of payment(s) to the SDC either by virtue of date and/or sum of payment, the Issuer shall pay SDC a fine in amount of X% of the sum subject to payment for each calendar day of delay but not more than X% of the sum subject for payment.

**Article 13**

In the event additional and/or extraordinary expenses are to be incurred by the SDC in the provision of services to the Issuer and if the sum of such expenses exceeds JD XXX, the SDC shall have the right to require prepayment of the said sum from the Issuer.

**Article 14**

The Issuer shall comply with the time schedule specified from time to time by the SDC for data transfer.

**Article 15**

The SDC shall allocate unique identity codes to both the Issuer and the specific issue to be governed by this Agreement.

**Article 16**

The Issuer shall maintain business records in such manner as may be prescribed in the Jordan Securities Commission Regulations and the SDC's Bye-Laws, Business Rules and Operational Procedures in respect to the Issuer's Shareholder Register(s) and the Issuer's use of any of the services and facilities of the SDC.

**Article 17**

The Issuer shall permit any person duly authorized by the SDC to enter its premises, within the Issuer's regular business hours on any business day, for the purpose of inspecting the Issuer's Shareholder Register(s) and taking copies of such records. The Issuer shall provide, on demand, any information to the SDC related to the Issuer's Shareholder Register(s).

**Article 18**

The Issuer will provide **X** persons to be trained at the SDC during the SDC's connectivity testing. The Issuer also agrees to provide replacement personnel, as required, to be trained by the SDC in order to insure the continuity of trained personnel at the Issuer's place of business.

**Article 19**

The Issuer shall establish continuous electronic means of communication with the SDC and the SDC shall provide necessary manuals & procedural guidelines to the Issuer as are necessary for the Issuer's effective and prompt conduct of the business with the SDC. The Issuer shall maintain such systems, procedures, means of communication, adequate infrastructure, hardware, software security devices and back-up facilities as may be prescribed by the SDC.

**Article 20**

The Issuer shall strictly follow the data backup procedure recommended by SDC. A copy of the latest back-up database(s) and subsequent incremental backups shall be maintained at a remote storage site designated by the Issuer and approved by the SDC.

**Article 21**

The Issuer shall comply with all the systems and operational procedures recommended by the SDC and shall allow access to their systems by authorized SDC personnel including an Electronic Data Processing (EDP) Audit Team for periodic assessment of compliance with SDC systems and operational procedures.

**Article 22**

The Issuer agrees that the SDC shall not be liable to the Issuer for any loss arising out of any failure of the Issuer to maintain full and contemporary data security backup copies of computer programs and data the Issuer uses in accordance with the best EDP practice.

**Article 23**

The Issuer shall inform the SDC, on the same business day on which the Issuer informs the Amman Stock Exchange, regarding the dates from which new shares arising out of conversions, further issues, final call payments, etc. become effective with its existing shares.

**Article 24**

Prior to final SDC eligibility being granted to the issue covered by this Agreement, the Issuer shall provide the SDC with a complete listing of the issue's shareholders in the form of the issue's Initial Shareholder Register (ISR). Subsequent to receipt of the issue's ISR the SDC will review information in the ISR for completeness and compatibility with SDC standards. The Issuer also agrees to provide the SDC with all changes to the ISR received and processed by the Issuer subsequent to delivery of the ISR to the SDC.

**Article 25**

As applicable to the security issue covered by this Agreement, the SDC will review the Issuer's ISR for completeness and compatibility with SDC standards. The Issuer authorizes the SDC to make any and all changes to the ISR required to create the issue's Official Shareholder Register (OSF). In the interest of data integrity and continuity the SDC will provide the Issuer with notification(s) relevant to all changes posted to the ISR.

On receipt of the SDC's notification of changes to the ISR, the Issuer will review the changes received and provide the SDC with approval notification and acceptance for such data modifications.

**Article 26**

The SDC will provide the Issuer with an electronic and a paper copy of the security issue's OSR. Within **X** business days of receipt of the security issue's OSR the Issuer will review and approve the OSR and provide the SDC with written acceptance and certification of the OSR.

**Article 27**

The Issuer grants the SDC Legal Transfer Department the right to accept, review and approve changes in share ownership to both the ISR and the OSR. The SDC Legal Transfer Department will provide the Issuer with notification of changes made to the ISR and OSR within X business days of the changes being made.

**Article 28**

The Issuer will furnish information to SDC relating to any modifications of the Issuer's security issue covered by the Agreement such as rights, bonus, additional public offerings with relevant details including, but not limited to, opening and closing dates, issue size, issue price, record date, book closure date and fractional issuance. For such events the Issuer will also provide the SDC with a copy of the security issue's offering document.

**Article 29**

In relation to the security issue covered by this Agreement the Issuer will provide the SDC with information related to the security issue's book closures, record dates, dates for the payment of interest or dividends, dates of the Issuer's annual general meetings, special corporate meetings, dates for redemption of debentures, dates for conversion of debentures and warrants, call money dates, corporate merger materials, reduction of capital, reconstruction scheme, consolidation, and conversion of debentures/loans and such other material information relating to any corporate action. The Issuer will provide the information specified in this Article to the SDC on the same business day on which the Issuer notifies the Amman Stock Exchange. Such information will be provided to the SDC after the close of the Amman Stock Exchange's regular trading session.



**Article 30**

As related to the Issuer's security issue governed by this Agreement, the Issuer concurs that dematerialization deposits to and physical certificated withdrawals from the SDC will be processed within **X** business days and **Y** business days respectively. The Issuer also concurs that in the case of bulk dematerialization deposits, the allowable time period may be extended to **X** business days.

**Article 31**

As related to the Issuer's security issue governed by this agreement, the Issuer agrees that no dematerialization requests shall be accepted when there are any prohibitory orders, stop transfers, or disputed title, on the business day of such requests. The Issuer also agrees that where a duly executed court order has been received by the Issuer or where there are duly executed court orders against a transfer request, if such a request is processed by the Issuer the Issuer shall be entirely responsible. The Issuer will be fully responsible for the destruction, mutilation and cancellation of physical security certificates received and accepted by the Issuer for dematerialization.

**Article 32**

As related to the Issuer's security issue governed by this Agreement, unless specifically agreed to by the Issuer and the SDC in a separate Agreement, the Issuer will be responsible for the security issue's corporate actions. Based on the security issue's OSR maintained by the SDC, the SDC will provide the Issuer with a list of beneficial owners to the Issuer as of the close of business on the security issue's record date. This list shall be provided by the SDC **X** business days after the security issue's record date.

**Article 33**

The Issuer will indemnify the SDC in respect to any loss or liability incurred, or any claim arising as a result of any incorrect or incomplete information furnished by the Issuer to the SDC.

**Article 34**

In the event physical security certificates are requested to be withdrawn from the SDC as the result of: (i) a condition of a trade executed on the Amman Stock Exchange; (ii) a specific Legal Transfer Request; or (ii) any other change in securities ownership as may apply, the Issuer will be responsible for the issuance of such physical security certificates.

**Article 35**

In the case where securities are deposited in the SDC via dematerialization and are posted electronically to the security issue's OSR based on instructions received by the SDC from the security issue's Issuer, licensed securities trading firms, custodian banks or other authorized entities in a manner compliant with the regulations of the Jordan Securities Commission and the Bye-Laws, Business Rules and Operational Procedures of the SDC, any claims, disputes, liabilities or causes of action from a third party arising in respect to such transactions pertaining to counterfeit or forged securities shall be settled between the Issuer and such third parties.

**Article 36**

The SDC will provide the Issuer with a report updating the security issue's OSR maintained by the SDC on an **X** basis. Updates other than those provided on an **X** basis will be provided by the SDC on a time and materials cost basis.

**Article 37**

The Issuer will inform SDC of any proposed changes in the address of the Issuer's Registered Offices, Corporate Office, or of the location where the equipment for communication with SDC is situated no less than **X** business days before the effective date of such change(s).

**Article 38**

The SDC will inform the Issuer of any proposed changes in the address of its Registered Office or Corporate Office no less than **X** business days before the effective date of such change.

**Article 39**

The Issuer shall not assign to any other person/entity its Shareholder Register functions & obligations, relating to transactions with the SDC, without the written approval of SDC.

**Article 40**

The Issuer shall install at its business offices or in its computer center, client server(s), hardware configuration(s) with system database(s), communication and application software as prescribed by the SDC:

- a) In the interests of operational consistency all hardware and software supporting the Issuer's SDC applications that have not been supplied directly to the Issuer by the SDC, shall be installed and implemented by the Issuer only after review and approval of the hardware and software by the SDC.
- b) Hardware and software procured under item (a), above, shall be dedicated for SDC specific application modules and in the event there is additional processing/data storage capacity available, the additional processing/data storage capacity shall not be used for any other application.
- c) Issuer's SDC-related hardware and software, as per items (a) and (b) above, may be connected by the Issuer to the Issuer's internal Local Area Network (LAN) for data transfer purposes.
- d) Issuer's SDC-related hardware and software shall not be connected by the Issuer to the Issuer's interoffice Wide Area Network (WAN) without the prior written permission of the SDC. The SDC reserves the right to deny such permission if in the opinion of the SDC the granting of such permission would violate conditions relating to the operations of SDC's WAN or any other reasons as may be deemed fit by the SDC.
- e) The Issuer shall carry out modifications, upgrades, replacements and deletions for the above mentioned configuration(s) from time to time as may be required by the SDC.

**Article 41**

The Issuer and the SDC shall abide by the arbitration and conciliation procedures prescribed under the Bye-Laws, Business Rules and Operational Procedures of the SDC and that such procedures shall be applicable to any disputes between the Issuer and SDC

**Article 42**

The Participant and SDC agree that all claims, differences and disputes, arising out of or in relation to dealings in and through the SDC including any agreements, contracts and transactions made subject to the Bye-Laws, Business Rules and Operational Procedures of the SDC or with reference to anything incidental thereto or in pursuance of or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions, agreements and contracts have been entered into or not, shall be subject to the exclusive jurisdiction of the courts of the Hashemite Kingdom of Jordan.

**Article 43**

The SDC and the Issuer shall be absolved from responsibility for non-performance or undue performance of any obligations under this Agreement in case of *force majeure* circumstances occurring after execution of this present Agreement. Providing evidence of the existence of *force majeure* events shall be the duty of the SDC.

**Article 44**

On the termination of *force majeure* the Issuer and the SDC shall be obliged to undertake all reasonable measures to mitigate the negative effects of *force majeure* and to reduce the damages incurred.

**Article 45**

This Agreement shall enter into force following its signature by authorized representatives of the Issuer and the SDC. This Agreement shall be deemed as automatically and successively extended for additional periods of one calendar year from the date of the Agreement entering into force if neither of the Parties submits to the other Party a written statement of intent to cancel the Agreement not later than one month prior to the Agreement's expiry date.

**Article 46**

Changes and additions to this Agreement may be made by mutual consent of the Issuer and the SDC as expressly agreed between the Issuer and the SDC in writing and signed by authorized representatives of the Issuer and the SDC.

**IN WITNESS** wherefore the Issuer and the Securities Depository Center of Jordan have caused their presence to be executed as of the date specified in the first paragraph of this Agreement.

Witnessed

By \_\_\_\_\_

\_\_\_\_\_  
(Signed For & on Behalf of the Participant)

(Print Name & Capacity)

Witnessed

By \_\_\_\_\_

\_\_\_\_\_  
(Signed For & On Behalf of the Securities  
Depository Center of Jordan)

(Print Name & Capacity)

Date: \_\_\_\_\_

Place: \_\_\_\_\_

**TRIPARTITE AGREEMENT  
BETWEEN  
CUSTODIAN BANK & CUSTODIAN BANK'S CLIENT  
AND  
THE SECURITIES DEPOSITORY CENTER OF JORDAN**

This Tripartite Agreement made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_ between \_\_\_\_\_ having its Registered Office at \_\_\_\_\_ (hereinafter called the "Custodian Bank"), acting as the duly appointed Custodian Bank for \_\_\_\_\_ having its Registered Office at \_\_\_\_\_ (hereinafter called the "Custodian Bank Client") and The Securities Depository Center of Jordan having its Registered Office at P.O. Box 212465, Amman 11121, Jordan (hereinafter called "SDC").

**Witnesseth**

**WHEREAS** the Custodian Bank has furnished to the SDC Letters of Appointment duly executed between the Custodian Bank and the Custodian Bank Client and the Custodian Bank has furnished the Custodian Bank Client with a copy of this Agreement for the Custodian Bank Client's review and approval, and

**WHEREAS** the SDC has reviewed and accepted Letters of Appointment, duly executed between the Custodian Bank and the Custodian Bank Client, and the SDC has received written confirmation from the Custodian Bank Client evidencing the Custodian Bank Client's review and approval of this Agreement,

**THEREFORE** in consideration of the SDC having agreed to admit the Custodian Bank as a Participant into its Depository system as the duly appointed Custodian Bank for the Custodian Bank Client, under duly executed and acceptable Letters of Appointment, all of the parties to this Agreement hereby covenant and agree as follows:

**Article 1**

The SDC is the sole Central Securities Depository (CSD) licensed to operate in the Hashemite Kingdom of Jordan under the Securities Law of 2002 and the regulations of the Jordan Securities Commission.

**Article 2**

In this Agreement the SDC is defined as a Central Securities Depository (CSD) operating a depository system as a system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by electronic bookkeeping entry without physical delivery of the securities.

**Article 3**

Under this Agreement a Custodian Bank Client duly licensed in its domestic domicile may utilize the services of a qualified Custodian Bank to deposit all or any part of the securities owned by the Custodian Bank Client in the SDC's depository system.

**Article 4**

Under this Agreement the SDC, upon ceasing to act for the Custodian Bank Client through the Custodian Bank, and subject to its own rules on contributions to a participants' fund, shall deliver all securities held for the Custodian Bank Client to a successor Central Securities Depository (CSD), custodian, or safe keeper named by the Custodian Bank Client. Where the Custodian Bank Client has not named a successor CSD, custodian or safe keeper the SDC shall deliver the Custodian Bank Client's securities to the Custodian Bank to be held by the Custodian Bank as custodian for the Custodian Bank Client under terms customary to a custodian agreement between banks and investment companies.

**Article 5**

The SDC shall transmit to the Custodian Bank a confirmation of any transfers to or from the account of the Custodian Bank Client. Where securities are transferred to the Custodian Bank Client's account, the Custodian Bank shall identify such securities as belonging to the Custodian Bank Client in a fungible bulk of securities registered in the name of the Custodian Bank Client shown as an electronic bookkeeping entry on the books of the SDC. Under this Agreement the term "confirmation" means advice or notice of a transaction.

**Article 6**

The Custodian Bank will transmit to the Custodian Bank Client an affirmation for any transfers to or from the account of the Custodian Bank Client. The form, content and timing of the Custodian Bank's affirmation to the Custodian Bank Client will conform to the Letters of Appointment executed between the Custodian Bank and the Custodian Bank Client.

**Article 7**

In accordance with the By-Laws, Business Rules and Operational Procedures of the SDC, the assets of the Custodian Bank Client will not be subject to any right, charge, security interest, lien or claim of any kind in favor of the Custodian Bank or its creditors, except a claim of payment for their safe custody or administration or, in the case of cash deposits, liens or rights in favor of creditors of the Custodian Bank arising under bankruptcy, insolvency, or similar laws.

**Article 8**

That beneficial ownership of the Custodian Bank Client's securities will be freely transferable without the payment of money or value other than for safe custody or administration.

**Article 9**

Satisfactory records will be maintained by the SDC identifying the Custodian Bank Client's securities as belonging to the Custodian Bank Client and such records, on receipt of a written request from the Custodian Bank Client, will be available to independent auditors duly appointed by the Custodian Bank Client or the content of such records will be made available in paper or electronic format at a reasonable cost.

**Article 10**

The SDC will issue periodic summary reports with respect to the safekeeping of the Custodian Bank Clients securities to the Custodian Bank, including, but not limited to, notification of any transfer to or from the Custodian Bank Client's account.

**Article 11**

The SDC will provide the Custodian Bank and the Custodian Bank Client with reasonable safeguards against the safekeeping risks associated with maintaining the assets of the Custodian Bank Client including risk analysis and position monitoring procedures.

**Article 12**

The SDC will hold assets for the Custodian Bank Client, through the services of the Custodian Bank, under safekeeping conditions no less favorable than the conditions that apply to other participants in the SDC.

**Article 13**

The SDC will maintain records that identify the assets of the Custodian Bank Client and will segregate the assets of the Custodian Bank Client from the assets of all other participants.

**Article 14**

The Custodian Bank, in representing the Custodian Bank Client, shall abide by the provisions of the Securities Law of 2002, Jordan Securities Commission Regulations, Bye-Laws, Business Rules and Operational Procedures of the SDC wherever applicable and comply with any orders, directions or notices which may be issued or prescribed by the Board of Directors of the SDC from time to time in respect to the services and facilities of the SDC's Depository System whether of a temporary or permanent nature.

**Article 15**

The Custodian Bank, in representing the Custodian Bank Client, shall continue to be bound by the Bye-Laws, Business Rules and Operational Procedures of the SDC, notwithstanding that the Custodian Bank may have ceased to represent the Custodian Bank Client, in all matters and transactions occurring while the Custodian Bank duly represented the Custodian Bank Client.

**Article 16**

The Bye-Laws, Business Rules and Operational Procedures of the SDC shall be a part of the terms and conditions of every agreement, contract or transaction which the Custodian Bank, in representing the Custodian Bank Client, may make or have with the SDC.

**Article 17**

The Custodian Bank, in representing the Custodian Bank Client, shall be bound by any amendment to the Bye-Laws, Business Rules and Operational Procedures of the SDC with respect to any transaction occurring subsequent to the time of such amendment. Such amendment shall take effect as if it were originally a part of the Bye-Laws, Business Rules and Operational Procedures of the SDC provided, however, that no such amendment shall affect the Custodian Bank's rights to cease to act on behalf of the Custodian Bank Client or to cease to be a Participant in the SDC's Depository system.

**Article 18**

This Agreement and all contracts and transactions effected by the Custodian Bank, in representing the Custodian Bank Client, under the SDC's Bye-Laws, Business Rules and Operational Procedures or through the facilities of the SDC shall be governed by and be construed in accordance with the provisions of the relevant laws as well as the rules and regulations of the Jordan Securities Commission.

**Article 19**

On provision of prior notification, the SDC reserves the right to make amendments to this Agreement in the event such amendments become necessary due to changes, additions or deletions to the Securities Law of 2002, regulations of the Jordan Securities Commission or other relevant changes enacted by executive and legislative bodies responsible for the normative and legal acts regulating the activities of the SDC.

**Article 20**

The Custodian Bank will furnish a list of authorized officials who shall represent & interact with the SDC on behalf of the Custodian Bank Client within **X** business days of the execution of this agreement and any changes including additions/deletions to the initial list shall be communicated to the SDC within **X** business days of such change(s).



**Article 21**

The SDC will perform all depository transactions related to securities held and ownership recorded in the Custodian Bank Client's accounts in strict conformity with the instructions issued by the Amman Stock Exchange or the Custodian Bank. Transactions performed shall not lead to violation of any of the provisions included in the Securities Law of 2002, Jordan Securities Commission Regulations, the SDC's By-Laws, Business Rules and Operational Procedures and normative legal requirements.

**Article 22**

This Agreement and all contracts and transactions effected by the Custodian Bank on behalf of the Custodian Bank Client with any other party, or to which the Custodian Bank or the Custodian Bank Client is a party under the Bye-Laws, Business Rules and Operational Procedures of the SDC or through the facilities of the SDC shall be governed by and be construed in accordance with the provisions of the relevant laws, rules and regulations of the regulatory bodies having jurisdiction over the Custodian Bank and/or the Custodian Bank Client, as applicable from time to time.

**Article 23**

The SDC reserves the right to suspend execution of the Custodian Bank Client's settlement transactions in the event that such transactions constitute a material breach of the By-Laws, Business Rules and Operational Procedures of the SDC and/or do not conform to the By-Laws, Business Rules and Operational Procedures of the SDC.

**Article 24**

The SDC shall guarantee confidentiality of information that may become known in the course of its depository activity on account transactions and the status of the Custodian Bank Client's accounts, including information related to the Custodian Bank Client's account(s) maintained by/with an entity other than the Custodian Bank.

**Article 25**

The Custodian Bank may not lodge a claim relating to SDC obligations on the securities owned by the Custodian Bank Client or other SDC Participants in accordance with the right of ownership or other proprietary right.

**Article 26**

As related to the performance of services for the Custodian Bank Client, the Custodian Bank shall pay such fees and charges that may be due to the SDC in accordance with the schedule specified under the SDC's By-Laws, Business Rules and Operational Procedures and any deposits or other amounts payable in accordance with the SDC's Bye Laws, Business Rules and Operational Procedures:

- a) In case of any default on the part of the Custodian Bank to pay any of the amounts specified in Article X of the SDC's By-Laws within a period of 30 days from the date of demand, without prejudice to the rights of the SDC to take disciplinary action under Chapter X of the SDC's Bye-Laws, the Participant will be liable to penalty payments at such rate as may be specified in the By-Laws, Business Rules and Operational Procedures of the SDC.

- b) The Board of Directors of the SDC may permit the payment of such amount even without penalty after such due date, provided it is satisfied that there exist sufficient grounds for such delayed payment.

**Article 27**

In case of the Custodian Bank's non-compliance of payment(s), under Article 26, (a) of this Agreement, to the SDC either by virtue of date and/or sum of payment, the Participant shall pay SDC a fine in amount of X% of the sum subject to payment for each calendar day of delay but not more than X% of the sum subject for payment.

**Article 28**

In the event additional and/or extraordinary expenses are to be incurred by the SDC in the execution of Custodian Bank Client transaction(s) and if the sum of such expenses exceed JD XXX, the SDC shall have the right to require prepayment of the said sum from the Custodian Bank.

**Article 29**

The Custodian Bank shall not commingle its own holdings held in the SDC with those held on behalf of the Custodian Bank Client. The Custodian Bank shall affect any transfer of holdings only if the transfer is supported by valid instructions and an adequate audit trail of the transfer is maintained unless otherwise provided for in the SDC's By-Laws, Business Rules and Operational Procedures. The Custodian Bank shall be responsible for every action taken on the basis of any order, instruction, direction or mandate given by the Custodian Bank Client.

**Article 30**

The Custodian Bank will maintain a Demand Deposit Account (DDA) on behalf of and for the exclusive purpose of conducting Custodian Bank Client business. The DDA to be maintained at a banking institution located within the Kingdom that is acceptable to the SDC and whose business operations are subject to regulation by the Central Bank of Jordan. The Custodian Bank will provide the SDC with routing instructions necessary and material to the operational processing of Custodian Bank Client debit and credit transactions. In the event the Custodian Bank changes the DDA used for the exclusive purpose of conducting the Custodian Bank Client's SDC business either within the Custodian Bank or by transfer from the Custodian Bank to another banking institution, the Custodian Bank will provide the SDC with advance notice of such a change. The Custodian Bank will provide the SDC with such advance notice no later than X business days prior to the effective activation date of the new DDA account.

**Article 31**

The SDC will provide the Custodian Bank with routing instructions necessary and material to the operational processing of debit and credit transactions between the Custodian Bank's DDA and the SDC's Settlement Bank Account (SBA). In the event the SDC changes the SDC's SBA account either within a banking institution or by transfer from one banking institution to another banking institution, the SDC will provide the Custodian Bank with advance notice of such a change. The SDC will provide the Custodian Bank with such advance notice no later than **X** business days prior to the effective activation date of the SDC's new SBA account.

**Article 32**

The Custodian Bank shall comply with the time schedule specified from time to time by the SDC for data transfer.

**Article 33**

The Custodian Bank shall comply with such procedures, in the case of the deposit and withdrawal of securities to and from the Custodian Bank Client's account maintained with the SDC, as established under the SDC's By-Laws, Business Rules and Operational Procedures.

**Article 34**

The Custodian Bank shall comply with requests received from the Custodian Bank Client for the deposit of dematerialized securities and the withdrawal of securities in physical form within such time and in such manner as may be specified in the SDC's By-Laws, Business Rules and Operational Procedures, and shall be required to keep records of the such transactions as prescribed by the Jordan Securities Commission Regulations.

**Article 35**

The Custodian Bank shall maintain business records in such manner as may be prescribed in the Jordan Securities Commission Regulations and the SDC's By-Laws, Business Rules and Operational Procedures in respect to the Custodian Bank use of any of the services and facilities of the SDC on behalf of the Custodian Bank Client.

**Article 36**

The Custodian Bank shall permit any person duly authorized by the SDC to enter its premises, within the Custodian Bank's regular business hours on any business day, for the purpose of inspecting Custodian Bank records maintained in support of the Custodian Bank Client's SDC transactions and taking copies of such records. The Custodian Bank shall provide, on demand, any information to the SDC related to the contracts and transactions processed on behalf of the Custodian Bank Client in the SDC's depository system.

**Article 37**

The Custodian Bank will inform the SDC of any proposed changes in the address of the Custodian Bank's Registered Offices, Corporate Office, or of the location where the equipment for communication with SDC is situated no less than **X** business days before the effective date of such change(s).

**Article 38**

The Custodian Bank will inform the SDC of any proposed changes in the address of the Custodian Bank Client's Registered Offices, Corporate Office no less than **X** business days before the effective date of such change(s).

**Article 39**

The SDC will inform the Custodian Bank of any proposed changes in the address of its Registered Office or Corporate Office no less than **X** business days before the effective date of such change.

**Article 40**

The Custodian Bank shall reconcile records maintained in support of the Custodian Bank Client's transactions with the SDC with those of the SDC on a daily basis and in such manner as may be specified in the Jordan Securities Commission Regulations and the SDC's By-Laws, Business Rules and Operational Procedures.

**Article 41**

The Custodian Bank shall install at its business offices or in its computer center, client server(s), hardware configuration(s) with system database(s), communication and application software as prescribed by the SDC:

- a) In the interests of operational consistency all hardware and software supporting the Custodian Bank's SDC applications that have not been supplied directly to the Custodian Bank by the SDC, shall be installed and implemented by the Custodian Bank only after review and approval of the hardware and software by the SDC.
- b) Hardware and software procured under item (a), above, shall be dedicated for SDC specific application modules and in the event there is additional processing/data storage capacity available, the additional processing/data storage capacity shall not be used for any other application.
- c) Custodian Bank's SDC-related hardware and software, as per items (a) and (b) above, may be connected by the Custodian Bank to the Custodian Bank's internal Local Area Network (LAN) for data transfer purposes.
- d) Custodian Bank's SDC-related hardware and software shall not be connected by the Custodian Bank to the Custodian Bank's interoffice Wide Area Network (WAN) without the prior written permission of the SDC. The SDC reserves the right to deny such permission if in the opinion of the SDC the granting of such permission would violate conditions relating to the operations of SDC's WAN or any other reasons as may be deemed fit by the SDC.
- e) The Custodian Bank shall carry out modifications, upgrades, replacements and deletions for the above mentioned configuration(s) from time to time as may be required by the SDC.

**Article 42**

The Custodian Bank shall maintain such insurance mechanisms and coverage, as the SDC may require of its participants from time to time.

**Article 43**

The Custodian Bank, on behalf of the Custodian Bank Client, shall contribute to the Settlement Guarantee Fund (SGF) and any other fund(s) established to protect the interests of participants in the capital markets in a manner specified in the Jordan Securities Commission Regulations and the SDC's Bye-Laws, Business Rules and Operational Procedures. The amount of the Custodian Bank's contribution to the SGF to be based on the Custodian Bank Client's SDC settlement activity.

**Article 44**

The Custodian Bank shall comply with such accounting, audit, financial requirements including requirements for submission of periodic returns on its activities in relation to the SDC and in such form and manner and within such time periods as may be specified in the Bye-Laws, Business Rules and Operational Procedures of the SDC.

**Article 45**

The Custodian Bank shall maintain systems and audit control measures, including independent internal controls and an audit department for regularly reviewing its internal operations, as contained in the Bye-Laws, Business Rules and Operational Procedures of the SDC.

**Article 46**

The Custodian Bank, on behalf of the Custodian Bank Client, shall indemnify the SDC in respect of securities credited to the Custodian Bank Client's account towards:

- a) losses, liabilities and expenses arising from claims of third parties and from taxes and other governmental charges; and,
- b) any other related expenses in respect of such securities as determined by the Board of Directors of the SDC.

**Article 47**

The Custodian Bank shall provide such information relating to the Custodian Bank Client as may be required by SDC from time to time.

**Article 48**

The SDC is authorized to provide at any time to the Custodian Bank the details of any credit or debit to the Custodian Bank Client's SDC account. The SDC is also authorized to provide similar information to any appropriate, authorized governmental authority in this regard.

**Article 49**

The Custodian Bank will notify the SDC immediately:

- a) where the Custodian Bank Client wishes to cease doing business with the Custodian Bank; the Custodian Bank Client does not wish to have the Custodian Bank represent the Custodian Bank Client and/or the Custodian Bank Client does not wish the Custodian Bank to have access to the Custodian Bank Client's account;
- b) where the Custodian Bank Client is a partnership firm and the partnership is to be dissolved;
- c) where the Custodian Bank Client is a corporate entity and the corporate entity ceases to do business and is being wound up;
- d) where the Custodian Bank Client has declared bankruptcy and/or has presented a petition for bankruptcy, liquidation or attachment of its property;
- e) where the Custodian Bank Client has had a bankruptcy order levied against it or in the event of any distress, execution or other process being levied or served upon or against the account holder's property;
- f) where the Custodian Bank Client has a change in its financial conditions which may lead to the account holder's bankruptcy;
- g) where notification pertaining to the Custodian Bank Client has been provided to the Custodian Bank as to the convening of any meeting to consider a resolution for the appointment or purported appointment of a receiver or administrator in respect of any of its property, or any other change in circumstances material to its participation in the depository system.

**Article 50**

The Custodian Bank shall resolve any Custodian Bank Client grievance which has been received against the Custodian Bank and submit a report of the grievance lodged and resolved to the Jordan Securities Commission and the SDC in accordance with the requirements stipulated in the Securities Law of 2002.

**Article 51**

The Custodian Bank, acting on behalf of the Custodian Bank Client, and the SDC shall abide by the arbitration and conciliation procedures prescribed under the Bye-Laws, Business Rules and Operational Procedures of the SDC and that such procedures shall be applicable to any disputes between the Custodian Bank, the Custodian Bank Client and the SDC.

**Article 52**

The Custodian Bank, acting on behalf of the Custodian Bank Client and SDC agree that all claims, differences and disputes, arising out of or in relation to Custodian Bank Client dealings in and through the SDC including any agreements, contracts and transactions made subject to the Bye-Laws, Business Rules and Operational Procedures of the SDC or with reference to anything incidental thereto or in pursuance of or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions, agreements and contracts have been entered into or not, shall be subject to the exclusive jurisdiction of the courts of the Hashemite Kingdom of Jordan.

**Article 53**

The SDC and the Custodian Bank, acting on behalf of the Custodian Bank Client, shall be absolved from responsibility for non-performance or undue performance of any obligations under this Agreement in case of *force majeure* circumstances occurring after execution of this present Agreement. Providing evidence of the existence of *force majeure* events shall be the duty of the SDC.

**Article 54**

On the termination of *force majeure* the Custodian Bank, acting on behalf of the Custodian Bank Client, and the SDC shall be obliged to undertake all reasonable measures to mitigate the negative effects of *force majeure* and to reduce the damages incurred.

**Article 55**

This Agreement shall enter into force following its signature by authorized representatives of the Custodian Bank and the SDC. This Agreement shall be deemed as automatically and successively extended for additional periods of one calendar year from the date of the Agreement entering into force if neither of the Parties submits to the other Party a written statement of intent to cancel the Agreement not later than one month prior to the Agreement's expiry date.

**Article 56**

Changes and additions to this Agreement may be made by mutual consent of the Custodian Bank and the SDC as expressly agreed between the Custodian Bank and the SDC in writing and signed by authorized representatives of the Custodian Bank and the SDC.

**IN WITNESS** wherefore the Custodian Bank and the Securities Depository Center of Jordan have caused their presence to be executed as of the date specified in the first paragraph of this Agreement.

Witnessed

By \_\_\_\_\_

\_\_\_\_\_  
(Signed For & on Behalf of the Custodian Bank)

(Print Name & Capacity)

Witnessed

By \_\_\_\_\_

\_\_\_\_\_  
(Signed For & On Behalf of the Securities  
Depository Center of Jordan)

(Print Name & Capacity)

Date: \_\_\_\_\_

Place: \_\_\_\_\_